# An overview of skagen marketing essay

ASSIGN BUSTER

Skagen is a small, picturesque fishing village in the heart of Scandinavia, known in the vicinity of the northern tip of the Danish peninsula of Jutland. Here the perfect purity and beauty explain where Danish design found its unique qualities, and where the international society Skagen Designs found its name.

The small village on the edge of the sea remains the inspiration for all Skagen watches. Went in 1987 Henrik and Charlotte Jorst theUnited States from their native Denmark to follow a dream. His dream was of owning and running their own business. Skagen Designs was the deal that was developed and from these two natives of Copenhagen on the principle that beautifully designed, high-quality objects can be created based at affordable prices. The Skagen watch collection Jorst reflect the creative Danish spirit with clean, elegant design, skilled craftsmanship and technical perfection. If you buy a piece from the Skagen Collection, you become part of an international community of Skagen owners who believe in a philosophy of design and manufacturing at the highest level. A community that these basic values, based on which the mark Skagen share.

A Skagen fan would be able to recognize one of their designs, stylish, even without the logo. The reason for this is that Henrik and Charlotte keep the products to ensure faithful to their original idea. There are no large, bulky, oversized watches under the name of Skagen. Their products are typically super-slim with a clean, uncluttered look. A trademark is the use of exotic materials like titanium and bracelets made of finely woven stainless steel.

The typical iconic Skagen watches are the range of 233 stainless steel or titanium designs. With its metal mesh bracelets, they encapsulate the beauty of Skagen Watch. With its thick, extremely slim design, usually only 4 mm, Skagen watches offer a stylish and inexpensive alternative to other over-priced designer watches. Skagen watches have a unique look and offer an extensive range for men and women alike.

Everything about Skagen's designs challenges standard watch market trends. Skagen like to provide an authentic design philosophy that stays devoted to the founders' original vision year after year.

You will not find any outsized, loud, designs bearing the Skagen name. Instead you'll find clean, elegant designs, skillful craftsmanship and technical perfection. This leads to their ultra-slim signature watches with fine stainless steel mesh bands, swish yet classic designs and sophisticated, galvanizing colors and styles at the cutting edge of latest culture. Skagen's mission is to offer a sumptuous appearance at an affordable price.

## Strengths and Weaknesses

Skagen Denmark proved itself as a company with a unique design, affordable price and good quality products. The slim and light texture of their products is the edge that sets them apart from the rest of the competitors. The usage of titanium material for the corpus and the integrated Swiss movement (since 2007) brings Skagen one step further in improving quality even more. The high quality and excellent value, makes Skagen one of the best products that you can buy. Being among the workers Charlotte and Henrik Jorst's show their unique management skills, by adding a personal

touch in the work environment. Skagen Denmark constantly releases new products for their customers. Online sales are a strong and in the same time week point. The problem is that it is possible to purchase only from the US. There is a light in the tunnel considering that soon the service will be world wide.

Skagen Denmark doesn’t have only strengths, it has weaknesses too. The main weaknesses are the strong competitors. Skagen is a company that rivals in brands like Gucci, Guess, Swatch and etc. Those companies have big financial power that we can hardly compare it with Skagen’s one. The company released new product lines like sunglasses and jewelry. Those lines are with doubtable success for now. And if they are not developed correctly they can cause damages to the company’s brand. From the company statement: “ By

2015, Skagen Designs will be the first choice among suppliers, customers, consumers, and employees as the most innovative and profitable design goods company within our chosen strategic segments, products and markets.” You can easily understand that this is a company with clearly set goals. Considering that its strengths are more that the weaknesses we can see great future for the company.

After evaluation of company’s key strengths and weaknesses, the next step is to start evaluating opportunities in promising export markets. It involves the screening of large lists of countries in order to arrive at a short list of three to five. The shorting method should be done on the basis of various

political, economic and cultural factors that will potentially affect export operations in chosen market.

The market selection process could be presented by the four following steps:

1. Selection of the relevant segmentation criteria

2. Development of the appropriate segments

3. Screening of segments to narrow down the list markets and choice of target markets

4. Developing segments in each qualified country

First two steps we can combine as defining criteria. Here we can point to measurability, accessibility, profitability, action ability. Some factors which can be considered for highly measurable, accessible and actionable are:

### Geographical Factors

* Country, state, region,

* Time zones,

* Urban/rural location logistical considerations e. g. freight and distribution channels

### Economic, Political, and Legal Environmental Factors

* Regulations including quarantine,

* Labelling standards,

* Standards and consumer protection rules,

* Duties and taxes

**Demographic Factors**

* Age and gender

* Income and family structure

* Cultural beliefs

* Major competitors

* Similar products

* Key brands

**Market Characteristics**

* Market size,

* Availability of domestic manufacturers,

* Agents, distributors and suppliers.

We can include language, technology, religion, education, etc.

Some specific characteristics, which are with low degree of measurability, are cultural characteristics, lifestyle, personality, attitudes and tastes. To gather information about all of these factors, we have to make some primary or secondary researches, such as population s, statistics, market reports, studies and others.

The second step is screening of markets. It can be preliminary of fine-grained screening.

For the preliminary screening it is important the Business Environment Risk Index (BERI) to be mentioned as a measure for the general quality of a country's business climate.

As the BERI index is not enough, fine-grained screening uses the market attractiveness/competitive strength matrix. Based on this we classify countries in the following categories:

A markets – the key markets in which one can develop long-term strategy with the best opportunities

B markets – in these markets there are opportunities, but the political or economic risk is considered as too high to make long-term plans.

C markets – known also as " catch what you can" markets. The risk here is considered as high and that's why the invested resources will be minimal.

Once the countries are chosen, the company applies the last step – developing segments in each of these countries, using variables such as demographic and economic factors, geography, buyer behavior, lifestyles, etc.

After choosing target market, the company has to decide with which product or service to enter it. Here it is necessary to make careful market segmentation, especially in the larger and more important foreign markets. In this point it is important a specific strategy to be developed.

We chose to apply the marketing attractiveness/competitive strength matrix for our analysis about Skagen Design. After excluding counties that are

already entered we used different dimensions of the matrix to find out which country to enter. After evaluating the results of the questionnaire for the locating countries of the market, we made the marketing attractiveness/competitive strength matrix which shows the best country to enter is Australia and this is our “ A” country. The table also showed that there is not a big difference between the other two countries that we decided to evaluate so for the secondary market where we see an economical risk is Sweden and the country in which we are going to develop a short term strategy and where we see the highest risk of entering is Hungary, so this is our “ C” country.

The numbers we used are according to tables 1 and 2 in global marketing book. The evaluation was made by grades with different weight to determine the position of the markets in the matrix.

Having completed the market selection process and chosen our target market, the next step is to plan an entry strategy. There are a number of options for entering the chosen market. Most exporters initially choose to work through agents or distributors. In the longer term, however, you may consider other options, such as taking more direct control of your market, more direct selling or promotion, or seeking alliances or agreements.

## What is meant by entry mode?

An international market entry mode is an institutional arrangement necessary for the entry of a company’s products into a foreign country/market.

The decision of how to enter a foreign market can have a significant impact on the results. Expansion into foreign markets can be achieved via the following three mechanisms:

* Export modes: low control, low risk, high flexibility;

* Intermediate modes (contractual modes): shared control and risk, split ownership;

* Hierarchical modes (investment modes): high control, high risk, low flexibility.

## Exporting

Exporting is the marketing and direct sale of domestically-produced goods in another country. Exporting is a traditional and well-established method of reaching foreign markets. Since exporting does not require that the goods be produced in the target country, no investment in foreign production facilities is required. Most of the costs associated with exporting take the form of marketing expenses.

Exporting commonly requires coordination among four players:

* Exporter

* Importer

* Transport provider

* Government

## There are three major types of export:

Indirect export. It occurs when the exporting manufacturer uses independent organizations located in the producer's country. In indirect exporting the sale is like a domestic sale. In fact the firm is not really engaging in global marketing, because its products are carried abroad by others.

Direct export. This usually occurs when the producing firm takes care of exporting activities and is in direct contact with the first intermediary in the foreign target market. The firm is typically involved in handling documentation, physical delivery and pricing policies, with the product being sold to agents and distributors.

Cooperative export. This involves collaborative agreements with other firms (export marketing groups) concerning the performance of exporting functions.

## Intermediate entry modes

The firm entering foreign markets is supplying them from domestic plants. This is implicit in any form of exporting. Sometimes the firm may find it either impossible or undesirable to supply all foreign markets from domestic production. Intermediate entry modes are distinguished from export modes because they are primarily vehicles for the transfer of knowledge and skills, although they may also create export opportunities. They are distinguished from the hierarchical entry modes in the way that there is no full ownership(by the parent firm) involved, but ownership and control can be shared between the parent and local partner.

Intermediate entry modes include a variety of arrangements, such as:

Contract manufacturing – enables the firm to have foreign sourcing without making a final commitment, to develop and control R&D, marketing, distribution, sales and servicing of its products in international markets, while handing over responsibility for production to a local firm.

Licensing- Licensing essentially permits a company in the target country to use the property of the licensor. Such property usually is intangible, such as trademarks, patents, and production techniques. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance.

Because little investment on the part of the licensor is required, licensing has the potential to provide a very large ROI. However, because the licensee produces and markets the product, potential returns from manufacturing and marketing activities may be lost.

Franchising – it is a marketing-oriented method of selling a business service, often to small independent investors who have working capital but little or not prior business experience. There are two types: product and trade name franchising and business format " package" franchising.

Joint venture – it is an entity formed between two or more parties to undertake economic activity together. The parties agree to create a new entity by both contributing equity, and then they share the revenues, expenses, and control of the enterprise.

There are five common objectives in a joint venture: market entry, risk/reward sharing, technology sharing and joint product development, and

conforming to government regulations. Other benefits include political connections and distribution channel access that may depend on relationships.

The key issues to consider in a joint venture are ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions.

Management contracting – it emphasizes the growing importance of services and management know-how. The typical case of management contracting is where one firm supplies management know-how to another company that provides the capital and takes care of the operating value chain functions in the foreign country.

It cannot be started categorically which alternative is the best. There are many internal and external conditions which affect this choice and it should be emphasized that a manufacturer wanting to engage in global marketing may use more than one of these methods at the same time. There may be different product lines, each requiring a different entry mode.

## What factors influence the choice of entry mode?

A firm's choice of its entry mode for a given product/ target country is the net result of several, often conflicting forces. The need to anticipate the strength and direction of these forces make the entry mode decision a complex process with numerous trade-offs among alternative entry modes. The choice of entry mode should be based on the expected contribution to profit.

There are four groups of factors that believed to influence the entry mode:

· **Internal factors**

Firm size – it is an indicator of the firm's resource availability;

International experience – it reduces the cost and uncertainty of serving a market, and in turn increases the probability of firms committing resources to foreign markets;

Product – the physical characteristics of the product are important in determining where production is located.

· **External factors**

Sociocultural distance between home country and host country – it can create internal uncertainty for the firm, which influences the mode of entry desires by that firm.

Country risk/demand uncertainty – when planning its method of entry the firm must do a risk analysis of both the market and its method of entry. Risks are not only economic, there are also political risks.

Market size and growth – it is the key parameters in determining the mode of entry. The larger the country sand the size of its market, and the higher the growth rate, the more likely management will be to commit resources to its development, and to consider establishing a wholly owned sales subsidiary or to participate in a majority-owned joint venture.

Direct and indirect trade barriers – the net impact of both direct and indirect trade barriers is thus likely to be a shift towards performing various functions

such as sourcing, production and developing marketing tactics in the local market.

Intensity of competition – when it is high in a host market firms will do well to avoid internalization, as such markets tend to be less profitable and therefore do not justify heavy resource commitments. Hence, other things being equal, the greater the intensity of competition in the host market the more the firm will favour entry modes that involve low resource commitments.

Small number of relevant intermediaries available – in such a case yhe market field is subject to the opportunistic behaviour ot the few export intermediaries, and this will favour the use of hierarchical models in order to reduce the scope for opportunistic behaviour.

**· Desired mode characteristics**

Risk averse – if the decision maker is risk averse they will prefer export modes or licensing because they typically entail low levels of financial and management resource commitment.

Control – Mode-of-entry decisions also need to consider the degree of control management requires over operations in international markets. Control is often closely linked to the level of resource commitment.

Flexibility – management must also weight up the flexibility associated with a given mode of entry. The hierarchical modes are typically the most costly but the least flexible and most difficult to change in the short run.

Intermediate modes limit the firm’s ability to adapt or change strategy when market conditions are changing rapidly.

**· Transaction-specific behavior**

Tacit nature of know-how – the difficulties and costs involved in transferring tacit know-how provide an incentive for firms to use hierarchical modes. Investment modes are better able to facilitate the intra-organizational transfer of tacit know-how.

Direct exporting occurs when a manufacturer or exporter sells directly to an importer or buyer located in a foreign market. As exporters grow more confident they may decide to undertake their own exporting task. This will involve building contacts, making marketing researches, handling transportation and documentation, and developing marketing mix strategies. Direct export includes export trough agents and distributors. Often those two are used as synonyms, but they are very different. Distributors take title to the goods and get money according to the difference between the selling and buying price, and agents receive a commission.

**Distributors**

Exporting companies may work with distributors, and they are the exclusive representatives of the company in their market. The Distributors buy on their own accounts and they have substantial freedom to choose their own customers and to set the conditions of sale. Distributors are companies that have their own warehouses, repair and service facilities and retail establishments.

Distributors usually seek exclusive rights for a specific sales territory and represent the manufacturer in all aspects of sales and servicing in that area.

### Agents

There are 3 types of agents: Exclusive, Semi-exclusive and non-exclusive.

Exclusive – The agent has exclusive rights to specified sales territory.

Semi-exclusive – The agent handles the exporter's goods along with other non-competing goods from other companies.

Non-exclusive – The agent handles variety of goods some that may compete with the exporter's products

An agent represents exporting company and sells to wholesalers and retailers in the importing country. The exporter ships directly to the customer and all the arrangements are made between them.

### Sales subsidiary/branch

In those cases the actual performance of the sales function is transferred to the foreign market. Companies find it relevant to establish a formal branch office, to which resident salesperson is assigned, this foreign branch is a legal part of the firm. Usually companies hire people from the country where the branch is based. If the market develops in a positive direction the company may consider establishing a wholly owned sales subsidiary.

Subsidiary is a local company owned and operated by a foreign company under the laws of the foreign country. The sales subsidiary gives complete control of the sales function. Most of the times the marketing function is left for the home base, but sometimes local marketing function can be included

in the sales subsidiary. All the foreign orders a channelled through the subsidiary. The sales subsidiary orders the products from the parent company and sometimes there can be a problem of intra-company transfer pricing.

The advantages of both agents and distributors are that they are familiar with the local market, customs and conventions. They have a direct incentive to sell through either commission or profit margin, but since they are tied to sales they may not devote much time and effort towards developing a market for a new product.

The main reason for choosing sales subsidiaries is being closer to the customer. However another reason for establishing sales subsidiaries is the tax advantages that the host country has.

According to the theory it is believed that the best way to enter an " A" type country is the hierarchical entry mode, where company completely owns and controls the foreign entry mode. Based on our analyze we chose Australia as a country of low risk with a growing market of 25% through the years 2000-2005. We think that most proper hierarchical entry mode is the acquisition. One of the reasons why we chose that mode is the distance between Australia and the company's HQ (headquarters). Another aspect is that it gives lots of advantages such as:

* rapid entry to the new market

* gaining quick access to:

– the distribution channels

– a qualified labor force

– existing management experience

– local knowledge

– contacts with local market and government

– established brand names/reputation

However this entry mode has disadvantages of taking risk of usually an expensive option, high risk and possible lack of integration and existing operation. Besides, there could be communication and coordination problems between acquired firm and acquirer.

The position of “ B” and “ C” countries in our market attractiveness/competitiveness matrix shows that they are in same diagonal zone. That’s why we decided to enter both of the markets with export modes, particularly with direct export – agent. This gives us an access to a local market experience and contact with potential customers. Also it is a short distribution chain, where the agent has knowledge over the market and trading connections in it. There is an availability of more control over marketing mix and local selling support and services. But on the other hand it gives little control over market price, because of tariffs and lack of distribution control. It is required some investment in sales organizations. We must note cultural differences, providing communication problems and information filtering. Also it is possible to have trade restrictions.

Marketing mix is a combination of marketing tools that are used to satisfy customers and company objectives.

Positioning is the process by which marketers try to create an image or identity in the minds of their target market for its product, brand, or organization. It is the ‘ relative competitive comparison’ their product occupies in a given market as perceived by the target market. Product positioning is a key element in the successful marketing of any organization and any market. The product that doesn’t have a clear position in the customer’s mind consequently stands for nothing and it’s rarely able to command more than a simple commodity or utility price Skagen Design managed to develop a successful positioning.

We red lots of customers’ made reviews of their products and we found out that common opinion is:

Ü A simple and elegant timepiece

Ü It isn’t a watch like the other ones – the Danish minimalist design and attitude carry throughout the watch and make it easy to live with

Ü Attractive clean looking products

Ü The price makes this watch “ a bona fide” bargain for what you get

Ü Company that offers wide assortment

Ü Ultra slim, signature mash bend

Ü Sleek classic design

Ü Subtle, inspiring colors and styles based on the pinnacle of contemporary culture

These are some of the feedbacks the company worked on for 15 years. They reached their mission statement for creating a global community of enthusiasts with their commitment to designing an impressive and unique yet attainable product while offering outstanding customer service to their customers and consumers.

Linked to the positioning is the branding. One of the most important decisions a marketing manager can make is about branding. The value of brands in today's environment is phenomenal. Brands have the power of instant sales they convey a message of confidence, quality and reliability to their target market.

Henrik and Charlotte Jorst married in 1988 in New York where their dream of starting their own business came true. After a Danish colleague sent them a few of his corporate watches, they began working in the world of watches. In 1991 they designed a few samples corporate watches and exhibit them in the New York Premium and Incentive Show, where they were noticed by a few watch retailers. Retailers required branding the watches, so they could sell them in their shops. The company manufactured their own brand with the name Skagen Denmark. This step gave them the needed attention to start growing. Since the year 2000 the company evolved from a local brand to a global brand, conquering new markets in Europe and Asia.

Philip Kotler says that " product is anything that can be offered to a market for attention, acquisition, or use, or something that can satisfy a need or

want. Therefore, a product can be a physical good, a service, a retail store, a person, an organisation, a place or even an idea. Products are the means to an end wherein the end is the satisfaction of customer needs or wants." He also suggests five product levels Core Benefit, Generic Product, Expected Product, Augmented Product and Potential Product.

The core benefit of the product can't be changed and should be left standardized for every market. Skagen keeps also the product attributes as standard as possible, because the brand demands equal treatment for every customer. They can only change part from the support services, which have to be tailored to the business culture and sometimes to individual customers. Because of the uniqueness of the product, Skagen keeps the design unchanged in the different markets. This is not a new product for the company or for the market, so we think that no adaptation is needed for the different markets. The product line should be kept the same and only the promotion can be change in some point. The popularity of the brand ensures a loyal customer base in the counties where the product has been for years, and brand awareness for the markets which the company is entering.

The pricing policy is one of the most important elements of the marketing mix. The product price is the only source of profit to the firm and it is highly controllable and inexpensive to change and implement. Pricing decisions are affected by a number of internal (firm-level, product) and external (environment and market) factors. Based on them, the company chooses its pricing strategy:

1. Price level ( first-time pricing)

– Skimming – also known as “ skim the cream”. By this approach, the company achieves the highest contribution in a short time. The product has to be unique and some segments of the market must be willing to pay the high price.

– Market pricing – It can be used for a market, where similar products exist. The product life cycle has to be long enough and its price is based on the rivals’ price.

– Penetration pricing – This approach is used for mass markets with price-sensitive customers, where the company presents a product at a low price with the assumption that the low price will increase. Company has to have in mind that there is level of the price below which consumers lose faith in the product’s quality.

2. Price changes over PLC (product life cycle) – As the product matures more pressure will be put on the price to keep the product competitive because of increased competition and less possibility of differentiation.

3. Product line pricing – One of the products of the line may be priced to protect against competitors or to gain market share from existing competitors.

4. Pricing across countries

– Price standardization – Company sets price for the product as it leaves the factory. After taking account of exchange rate and variance in the regulatory context, a fixed world price is applied in all markets.

– Price differentiation – This allows each local subsidiary o partner to set a price that is the most appropriate for the local conditions. One of the main weaknesses is the lack of control that the headquarters has over the price.

As Skagen Design had to enter a market where already existed similar products (watches), they had to find a way to reduce the production costs and make the price lower than the competitors. According to theory, their fist-level pricing decision was based on the market pricing strategy. The circumstances of that time Gulf crisis and the existing of already established strong competitors made them looking for a solution in the watch fair in Basel, where they found two suitable companies based in Denmark and Hong Kong, producing watches in a lower cost price. So the final customer price was based on competitive prices. Taking in mind the high quality of the materials that Skagen Denmark watches are made from, the company could not afford to penetrate the U. S market with really low prices – firstly because this may bring along the company to losses, and secondly because consumers may underestimate product's quality. Skimming strategy also is not proper. Although Skagen's product is unique and there has to be customers who will pay for it, the company wanted to establish itself in the market for a long time winning more customers and building loyalty.

After started distribution of their products outside U. S, Skagen Denmark had to think about global pricing decisions. Usage of price standardization strategy gives the company full control over the prices everywhere. The price is set as soon as the product leaves the factory. The company takes a low risk, because it is responsible only for delivering at the same price to every country subsidiary. Another advantage of price standardization is

possibility of quick introduction of new products in international markets, which fits to Skagen's ideas and plans.

The communication process is a process where a manufacturer transmits a m